

THE BROOKINGS INSTITUTION
METROPOLITAN BUSINESS PLANS:
A NEW APPROACH TO ECONOMIC GROWTH

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Keynote Address:

THE HONORABLE AMY KLOBUCHAR (D-MN)
United States Senate

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P R O C E E D I N G S

MR. KATZ: We have one more speaker here, and I thank everyone for literally staying, because, you know, unlike a lot of other forums at Brookings, I mean, this is a forum where people have stayed until the end. And I think, Senator, that's partly because you're here, but I think it's partly because people feel like something new is being invented here.

So we thought, when we got to the end of this forum, that it would be important to do two things. One, it would be important to invite someone from Commerce who represented one of the places either in the House or in the Senate of the business planning, and with Senator Klobuchar from the great state of Minnesota, we have met that task. But we also wanted to invite someone who has been thinking about the economy and thinking about where the American economy transitions in this post recession phase. And I think your work and your leadership of this effort around innovation and competitiveness and export promotion really prepares you well to respond to regions of the country, metropolitan areas as their hub, but broader regions who fundamentally buy the proposition that the next economy must be fundamentally different from the prior one, and we need to build it with intentionality and with deliberation.

Senator Klobuchar.

SENATOR KLOBUCHAR: Well, thank you, everyone. Thank you, Bruce, for that kind introduction. I'm well aware now that I'm the only thing standing between you and lunch, is that right? But it is wonderful to be here,

especially with our two great mayors, Mayor R.T. Rybak from Minneapolis and Mayor Chris Coleman from St. Paul, where did he go, there he is back there. You know what Garrison Keillor says, you know, Minnesota is a place where the women are strong, right, the men are good looking, and all the mayors are above average, that's exactly what he said.

So I really wish I could have been there with you all morning. I hear you've had some really good discussions and a lot of questions. You know we've had a few things to do like stop the government from shutting down, or as my daughter said the morning when we didn't know what was going to happen, last Thursday morning, she woke up and said, Mom, is the government going to meltdown today? I'm like, well, it sort of already has. But in any case, I was glad that we were able to reach that agreement on Thursday and there's still a lot of things being worked out, as you can imagine, and so it's actually really good to be here away from all of the somewhat fighting that's going on right now. And I'm also hopeful that we'll be able to do some really important long term things, and I'm glad the President is going to address this on Wednesday. And we have a bipartisan group that I've been -- part of the bigger group, but there are six senators right now who are trying to negotiate something, as well, for the more important long-term budget.

I've been chair of the Committee -- Subcommittee on Competitiveness, Innovation, and Export Promotion. I'll be honest, I named it that because I thought there wasn't enough work being done in the United States Senate on innovation.

It was a little bit of a step up from the initial subcommittee that I got assigned to, which was the Ocean Subcommittee. I'm from Minnesota, okay, and I got -- Harry Reid put me on the Ocean Subcommittee. I remember being at the first meeting, I looked around and I saw Trent Lott, Olympia Snowe, John Kerry, and I finally wrote a note to Frank Lautenberg that said I'm the only senator on the Ocean Subcommittee that doesn't have an ocean. And he wrote back to me, no problem, just come back next year and ask for one. But I actually did figure out -- I figured out many years later why Harry Reid put me on that subcommittee: It's because I can see Lake Superior from my porch.

Okay, so now, I wanted to get back to my actual remarks here. I acknowledge that we have many great Minnesotans into the -- the mayor is here, Margaret Anderson Keller, our former Speaker of the House of Representatives, who also is doing a lot of great work right now with the high-tech group in Minnesota; Caren Dewer, who I long knew from when we were together. One of my first work in politics was being on the Seward Neighborhood Board where I lived, and she put that together.

Cathy Shmittlekoff -- did I say that right; I hope so -- who I know has organized a lot of this; Cecile Badore and others who are here that have really put together our great Minnesota group. And I know you have people from all over the country that have been working on this, as well, and I want to thank you for that, and companies that have been part of this effort.

I think you all know that the Twin Cities actually, and Minnesota, in general, really has a thriving small business and large business community.

We're actually number 1 per capita for Fortune 500 companies, something people wouldn't quite imagine, that's because we're 7th for Fortune 500 companies and 21st for population in the country.

And a lot of our big companies began as small companies. Target started as a dry goods store on Nicollet Mall in Minneapolis; 3M started as a sandpaper company up in Two Harbors, Minnesota; and Medtronic, like so many great companies, started in a garage. And so we understand the transition from small to big and the importance of the thriving small business communities.

We've also had a long history of our government working with our business. And you see it in things that are as visible as our skyway system. Many years ago, people realized if we want to keep our downtown thriving, maybe we should make it easier to go shopping when it is 20 below 0, and we were able to work that in both cities in a significant way, despite the *New York Times* referring to it as a human habit trail. It actually has kept the downtown thriving.

Also, in our stadiums, I actually was, you know, there's been this long time rivalry between Minneapolis and St. Paul. I think Keillor actually once referred to St. Paul as pumpernickel and Minneapolis as Wonder Bread. I think that was a joke; I don't think it was a compliment for Minneapolis.

But in any case, we have these -- we've had public-private financing of stadiums and we've been able to keep our sports teams in the metropolitan areas. But one of my more amusing things in the last month was hearing Mayor Coleman from St. Paul describe how the snow, as you know got

so bad this year, we literally still have snow on the ground, it went on and on and on, and he did this little skit in which he admitted that it was he who took all the St. Paul from snow and brought it over to Minneapolis and put it on the roof of the Metrodome in Minneapolis, and as you saw, it sort of collapsed.

For me, that was a remarkable moment, because, in fact, I wrote a book in college about the politics behind the building of the Metrodome. It is still on the market and was going for 8.99 on Amazon until the collapse of the Dome. Mayor, it went up to 24.99.

And so -- but it is an example, a visible one, though, of kind of the projects that have been, and we'll, I have a feeling, we'll get a new stadium at some point soon, but the projects that are going on that have been a result of strong regional planning in our area.

Another example, the Itasca Project, a group of our state's business leaders, elected officials and non-profit organizations that focus on driving economic growth and sustaining local communities all through our state.

So that is partly why I've gotten so interested in this issue of the innovation and a competitive agenda for this country. It comes from the roots and it comes from what I've seen, where our state has an unemployment rate that is more than actually 2 points better than the national average right now.

Some of it has to do with our strong rural economy and the focus we had early on on energy, renewable energy. We have one of the most aggressive renewable energy standards in the country, 25 percent by 2025. And another piece of it has to do with the innovation we're seeing in our cities. And

so that's what drove me as heading up that subcommittee, to start talking to some of my fellow senators who are very interested in this issue, like Mark Warner from Virginia, Lamar Alexander from Tennessee, and others about this idea of making competitiveness and innovation the centerpiece for moving our economy forward.

I talked with the President about it back in June. A group of us had lunch with him, and I was really pleased with the State of the Union and that focus that he had on competitiveness and innovation, and now we have to get it into policy.

When I think about this agenda, I always think about the Summer Olympics back a few years ago, the opening ceremonies in Beijing. And I don't know if any of you watched it, but they had this perfectly synchronized drumming group of 2,000 men that were perfectly synchronized. And I remember watching it with my family on this fuzzy TV up in Northern Minnesota thinking we're in so much trouble.

And since that time, those drumbeats have really gotten louder and louder. And while China is building millions of solar panels a year, we're still dithering over our renewable standard, or we're going to have a clean energy standard or what we're going to do.

While India is putting in incentives all the time for innovation and entrepreneurship, we're still playing red light/green light with the R&D tax credit. And while Brazil is graduating more and more scientists and engineers as the years go by, while we've made some improvements, I know, my daughter just

was in the Virginia State Science Fair with her oil spill experiment, we are still not up to speed of where we should be in terms of graduating kids with degrees in science and engineering and technology and math.

So that's where I'll start, with education. I think that we need to increase the number of stem high schools, double them, in fact. I have a bill with Scott Brown, the Republican from Massachusetts, called Innovate America, which has a major focus on the idea of adding more stem schools, as well as then taking it up the next level and seeing how we can best get our high school kids focused in areas of technology.

And I'm not here just talking about the graduate degrees and the engineering degrees. I'm also talking about our two-year technology degrees, the technical colleges, and they are no longer your grandpa's community college. There are ones in Minnesota, like Alexandria Tech, that have a 96 percent placement rate for 4,000 kids. They're teaching them how to run high-tech computer systems that run the assembly lines of today. And what we need to be worried about right now is not just those -- some of the lower paying jobs going to other countries, which we know has happened, but also some of these higher paying high tech jobs, because China and other places are starting to graduate students with the kind of degree they need to run their robotics equipment in other countries.

And so literally we don't have enough people to fill some of these jobs in Minnesota right now, and that's why these technical colleges, where you have obviously the high end engineering and things you need, but you also have the

two-year degree so people actually know how to run the equipment that runs our factories today. We don't have enough people going into those areas, and we also have relocated workers that can go into those areas.

Also, college research, our country was made great by research by things like the Bell labs, and right now it is not as simple for that college research to be turned into actual products and into jobs. They get stuck into the valley of death and there's no funding there. So we have things in our bill, which, by the way, Lamar and Mark Warner are co-sponsoring now, which also makes it easier to turn that college research that's been sitting on a dusty shelf. The idea of getting these kids motivated early on and then having them work through so that they are getting actual advanced degrees in these areas, as well.

The next piece of this is red tape. If you notice, the President wrote a piece in the *Wall Street Journal* back in January about the need to look at the red tape that's holding back some of our exports and some of our industries.

In our bill, we actually look at the top 20 industries that export, and it's everything from movies to AG equipment, to high tech, to medical device. What are the barriers that are holding back those industries that we really want to grow, that we really want to export?

I can just give you two examples, things that could be solved without legislation, which sounds kind of good for me right now. One is tourism. One of our biggest exporting industry, one out of eight people in my state alone employed there, nearly that number in the country when you look at the repercussions from tourism for our country.

Since 9-11, we have lost 20 points in the international tourism business. Twenty points. That has nothing to do with the current economic downturn. We've lost 20 points. Every point is 165,000 jobs. It has gone to France, it has gone to Great Britain, it has gone to Indonesia. These other countries are advertising their countries and coming to their countries and beating us out every step of the way.

Well, last year we finally passed the Travel Promotion Act, that came out of my subcommittee. The Travel Promotion Act actually, for the first time, allows our country to advertise America internationally. It uses money from visas, not taxpayer money, but \$10 fees that foreign visitors pay on visas. We're paying it all the time to pay for their advertising against us, and so we are finally going to be able to advertise our country internationally, and it's going to be leveraged with private money. It's literally from the tourism industry, it's literally hundreds of millions of dollars.

Secondly, visa delays. Right now if you're in China and you want to visit the Mall of America in Bloomington, Minnesota, it can take you, if you're in Shanghai, it can take you an average of 93 days to get a tourist visa. The average for China as a whole is about 50 days. If you want to go to Great Britain, it takes you 10 days to get a tourist visa. Now, imagine the pull when you're trying to -- you're planning a vacation, you're planning a trip, and when you come to our country, you're going to spend an average of \$5,000. So those are real jobs and things that could be changed by expediting, by adding more

people to work on these things that pay for themselves because of the visa expenses, and so we need to do that.

Medical device, we've seen a third of the medical device investment money go to countries in Europe, because the FDA has been taking too long to approve medical devices, there's just no doubt about it. That's what's been happening, and while safety should be our primary concern, we have to also look at innovation and efficiency and figure out how we can best change that process and make it work better.

Those are just two examples that are near and dear to my heart, but you can find them with every industry, whether it's defense industry, where we want to be able to loosen some of the export controls now that we're cutting back on some of the defense spending, so that some of the nuts and bolts, not nuclear missiles, but some of the nuts and bolts can be exported to other countries. You can literally go through all of our exporting industries and find things that we can do to make it better. Some of them involve legislation, but some of them don't.

The next example I'd say for a competitive agenda would be exports in general, just making this, as the President has done, the centerpiece of our economic reform. Ninety-five percent of our potential customers are outside of our borders. And you think regionally, as I know you're thinking right now today, through your panel discussions, you think regionally of your greatest exports potential, and that's what we've got to do, we have to cross city lines, borders to work on this.

Southern Minnesota, Tim Penny, former congressman, has taken that whole group of counties down there and said what are our top three areas that we export in that are best? What are the top three that we want to go into? And with Southern Minnesota, Mayo Clinic, right, we've got medical, we've got food, we've got agriculture equipment, things like that, and they're looking at it as a region, not just as an individual city.

I'll give you examples for exports. I think so much of the focus always is on our big companies, and they do lead the way, and they should have most of the focus. And for them it's things like, I know Cargill met with Secretary Clinton because felt that more of the embassy's time should be spent on focusing on exports, focusing on getting contracts in other countries.

Some of the other embassies for other countries, that's all they do is help businesses get contracts, so that's a piece of it. But for small- and medium-size companies which have to be a part of this equation, it's a different world. They don't have a full-time trade export like 3M or Cargill or Microsoft, they are on their own, and so that's where the foreign commercial service comes in and can greatly help them just with little, little money in terms of plugging in products into a computer and figuring out where they can export.

An example, mad tracks, Northern Minnesota, and Karlstad, Minnesota, the Moose capital of our state, population 900 people. This company was started because a little kid named Matt who was in second grade came home and he told his dad, you know what, Dad? Here's a picture I drew that you can make this. And it was a truck, and he drew the tank tracks on each wheel.

And the dad said, no, Matt, that's not how it works. You should have seen on TV, the tank tracks go between the wheels. And Matt goes, no, Dad, this would be really cool. You could build this so you can put the tracks on each wheel and then you can just take them off and use it as a regular truck.

So his dad's a mechanic. He went to his shop, he designed it, and in a year he had four employees. Then one day he took his truck without the tracks and drove to Fargo, which was the regional headquarters for the foreign commercial service for this part of Minnesota. This woman named Heather who worked there plugged the product into the computer, made some calls for about an hour, and within 2 years, he was exporting to 25 countries, all because of this one visit from Karlstad to Kazakhstan, and now has 40 employees in a town that has 900.

Darrell Ackerman in Southern Minnesota, in a cornfield near Austin, Minnesota, has a business where he does trenchless digging. He takes these huge pipes and he puts them underground and they push the next pipe down, and so you can lay water and sewer without disrupting neighborhoods. Well, guess which country they're really interested in right now? India, China. His only other major competitor is in Germany. Because of exports, he now has 77 employees. And last year, I don't know if the mayors know this, this is a true thing about our state, Darrell Ackerman was named International Trenchless Digger of the Year, okay. These are the things that make my day.

But in any case, so when we look at exports, and we look at the funding that we're getting into with the government, and you look at your regional

planning, it has to be directed toward what are these markets and what can the United States government be doing in addition to getting rid of some red tape, but also helping some of these small- and medium-sized businesses, which are really often times the thriving part of our downtowns and especially our rural areas, what can they be doing to help them to better export.

So those are the things that I've been focused on with this competitive agenda. I really believe it's something that brings people together across regional lines, and it also draws them together across political lines. It's what Tom Friedman, Minnesota native -- have I said our state's name enough for you guys, are you getting tired of it? -- Minnesota native and *New York Times* columnist calls nation building in our own nation, and that's what we have to do. And I have just found, just by my own experience working with my colleagues, that this is the centerpiece of how we should move forward. And, by the way, it explains a bunch of stuff. If you have to explain why we have to do health care reform, well, we can't compete internationally if these huge costs are weighing down not only individuals in our country, but also small- and medium-sized businesses, so people aren't even leaving their jobs because they're afraid of losing their health care, so you lose that innovative edge.

Why do we have to do something about immigration? Well, because we're losing that innovative edge. Students are coming from other countries, they're studying in our country, and we basically staple a do not apply sign to their diploma and tell them to go back and start the next Google in India instead of starting it right in this country.

Or when our companies want to recruit someone to come work at our companies, why do we say no, we have a cap on the H1B visa in this area, so you're going to have to contract with them? And so then they'll be paying taxes in France instead of paying taxes in this country.

This is not what made our country great when we look at innovation and competitive agenda, or it explains why we have to do something with energy. So we actually have a standard in place so that we're building our own jobs and home grown energy in this country. So you can literally go through all of these policy decisions that we have to make and these difficult decisions, including the debt and the deficit. We don't want to be like Ireland or Greece, we want to make some long term changes that are going to bring down the expenses and make this country more competitive.

I just think it's a very good framework to explain what we need to do to move this country forward. So that's why I'm excited about it, and I'm excited about the work that you're doing and seeing how that fits into the metropolitan business plans and the work that you're doing fits in and that Brookings is doing fits in with this competitive agenda.

So I want to thank everyone that's had me here. I do welcome you to our office whenever you're walking by. Every Thursday morning we invite the entire state of Minnesota and our friends to breakfast. We will be serving treats from Minnesota. If you're lucky, you'll come, and we have Spam, Spam puffs we have sometimes, it's very, very much of a delicacy. We also have patitsa every Thursday morning, which is what my Slovenian grandma always

used to make, and she would literally roll this out on three kitchen tables and put walnuts in it and roll it all up. We have it from the Iron Range of Minnesota every Thursday.

And I will end with one story. Senator Harkin came to visit. You don't know this, but despite his name, he is half Slovenian, and he came and he liked it so much that he decided he wanted to give a patitsa to every member of the United States Senate for Christmas.

So he tries this patitsa, and he calls me up and he says, you know what I found out? They don't make it in Iowa. And I'm like duh. And so I gave him the name of who to call in Northern Minnesota, and he calls the baker. This is a very sort of rough and tumble part of our state, and he calls himself. He says I'd like to order 100 patitsas, one for every member of the United States Senate for Christmas. And the woman says, it's Christmas and we're booked, and we don't have 100 patitsas to send to Washington, D.C. He says, well, I don't know if you know who I am. I'm calling personally, this is Tom Harkin. I chair at the timely Agriculture and Forestry -- there's a lot of trees up there -- Forestry Committee of the United States Senate. And she says, I know exactly who you are, but we don't have the patitsas to send to Washington, D.C. But we have them every Thursday morning, you're welcome to join us. Thank you for all the work you're doing. Have a great day.

MR. KATZ: We have time for maybe two questions. Anyone, a burning question from the audience?

SENATOR KLOBUCHAR: How about what's in the \$78.5 billion in cuts? No one knows yet.

SPEAKER: I love everything that I've heard about getting together as regions and using a template like the business plan, this makes so much sense. How much should the federal government do to incentivize this? Should we require this kind of template for grants, should we require that people come to the government as regions?

SENATOR KLOBUCHAR: Well, you know, I think that the more and more you see governments requiring collaboration, I used to be a prosecutor for eight years, certainly we've had some great improvements in that area because we required local, state, federal when they did these task forces on gangs and things like that, we required that kind of collaboration.

And I don't want to say right now without having looked at exactly what the requirements would, that you'd want to require it for every project possible, I think I might get in a lot of trouble for doing that, but certainly I think this kind of regional looking at things is a smart way to go and should be something that we would want to create incentives for in the future, because, again, you know, you can have one town, and this is what -- I just keep using this example from the southern part of our state because I've spent some time with them down there and I know in urban and other settings that that's what you're looking at, you know, they were just competing with each other.

One town -- one county over the next, it was crazy, over, you know, one grant for this, one grant for that, trying to get this little business park

in, and then they get this business park, and they maybe get one business in each, and then the whole project fails, it just didn't make any sense at all.

And I know that one of the grants, I was up in Brainerd, that's working on this up in the northern part of our state, so that the same would hold true obviously for a metropolitan urban area, as well, that you want to look at what your strengths are, what are those products which I've argued that you could export and make part of this, and then how do you get those business in as opposed to competing with each other along county lines, city lines, and even across the border, in regions.

MR. KATZ: Last question, a burning question.

SENATOR KLOBUCHAR: It doesn't have to be a burning question.

MR. KATZ: You've exhausted everyone. Senator, thank you so much for --

SENATOR KLOBUCHAR: Okay, well, thank you, I appreciate it, all right. (Applause)

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

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